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## Current Support Brief

### CURRENT AGRICULTURAL POLICY IN HUNGARY



CENTRAL INTELLIGENCE AGENCY  
Office of Research and Reports

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CURRENT AGRICULTURAL POLICY IN HUNGARY

Under Communism in Hungary, the development of agriculture has been subordinated to that of industry, and policy has reflected the belief that agricultural production could be increased simultaneously with collectivization. Contrary to this belief, however, collectivization drives and the low investment priority of agriculture -- the so-called hard-line policy -- have precipitated a downturn in agricultural output. Recent criticism of the hard-line policy by Janos Kadar in a major policy speech to the Central Committee of the Hungarian Communist Party suggested that a new short-term approach -- a policy favoring agriculture over industry and a compromise of political ideology on full collectivization -- is believed to be necessary in order to resolve the immediate agricultural dilemma.

The conflict of ideology in the Party results from the sluggish response of the Hungarian agricultural sector following the mass collectivization drives of 1959-61. Although these drives accomplished a political goal by adding approximately 64 percent of the total arable land to the state-controlled sector in 3 years, the cost was high. Agricultural output did increase somewhat in 1959, but successive declines in 1960 and 1961 have reduced gross agricultural output by 11 percent and have moved Kadar and his supporters to reflect more soberly on the economic and sociological problems attendant on collectivization.

Of immediate economic concern is the carryover effect that declining agricultural output has had on the regime's export earning position and on its over-all economic growth. An unfavorable balance of trade developed in 1959 and 1960 -- part of which could be directly attributed to the decreased total value of agricultural exports -- and the continued unplanned drop in agricultural production in 1961 has further lessened the ability of the regime to maneuver its export earnings to best advantage because a considerable part of agricultural exports are used for earning hard currency. In addition, the lower agricultural output has contributed to an increase of agricultural imports -- particularly feed and food grains -- and has raised the percentage share of the total value of agricultural imports from 8.3 percent in 1960 to 10.6 percent in 1961. 1/

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Moreover, the rapid collectivization of agriculture has revealed the serious shortcomings of past investment programs. Although 18 percent of the total state investment was allocated to the agricultural sector during the period 1959-61 compared with 13 percent for the previous 3-year period, 2/ neglect of the farms and the inability of the private farmers to reinvest in their own farms during the past decade has considerably lessened the effectiveness of this belated acceleration of investment. Other factors contributing to agricultural difficulties include the significant outflow of labor from the agricultural sector during the mass collectivization drives as well as the passive antagonism of peasant farmers to the planned type of work on collective farms.

In spite of the development of these unfavorable economic signals, the hard-line element of the Party continued to press for its ideological goal -- the completion of collectivization. Kadar, however, has lent support to the more moderate element of the party, which believes that a slower transition to the collective farm concept is necessary in order to convince the traditionally conservative peasant.

In his speech to the Central Committee on 29 March, Kadar, therefore, made it known that agriculture is now the key factor in the development of the economy, 3/ and subsequent party action to curb hard-line opposition reflected an accommodation of the regime to existing farm problems. The Party now openly endorses the continued inviolability of the household plot, the payment of land rent to members of collective farms, and the need to offer material incentives to agricultural labor in order to stimulate agricultural output. 4/ These ideological concessions are primarily designed to appease the peasant and reflect the premium that the regime places on the contribution to the economy of the household plot. In 1960 the peasant household plots, with only 7 percent of the arable land, held approximately half of all the livestock and poultry in the country, and the contribution by value of the household sector amounted to 19 percent of the total gross agricultural output. 5/ It is this production that the regime needs and does not want to disturb -- at least not until the long-run program for agricultural production gains momentum.

In addition to the ideological concessions, the regime now seems to be intent on giving agriculture a relatively greater percentage share of investment allocations than

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has been true in the past. A 9-percent increase in agricultural credits has also been planned for 1962.6/

By contrast, the regime is discouraging the indiscriminate overproduction of industrial goods for which there is no immediate foreign or domestic demand, as proved by the increased level of interest rates on credits used to finance surplus industrial production and by the reduction in the percentage share of total state investment allocations to industry in 1962.7/ This postponement of industrial expansion in 1962 reflects a judgment to give more weight to the potential hard currency exchange earnings that can be derived from the export of agricultural products.

The curbing of the hard-line opposition early in the year, moreover, indicates the firm resolve of the regime to achieve the planned 9.2-percent increase in agricultural output in 1962.8/ Because the major share of this production will become available in the second half of the year, the regime's decision not to move in a political direction that would disturb the development of the agricultural sector shows evidence of the emergence of more rational economic leadership in the Hungarian Communist party.

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Analyst: 25X1A

Coord:

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